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Next 1 Page(s) In Document Exempt

Approved For Release 2006/03/17 : CIA-RDP79T00865A000900230001-8

25X1

Approved For Release 2006/03/17 : CIA-RDP79T00865A000900230001-8

25X1



C O N T E N T S



25X1

New Party Tensions in Lisbon	2
EC Moves to Strengthen the Workers' Voice in Business Policy	4

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May 9, 1975

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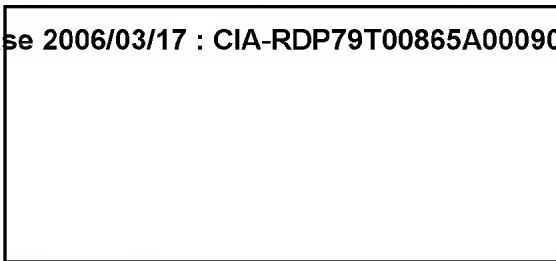
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New Party Tensions in Lisbon

Despite military efforts to ease tension between the Portuguese Communists and Socialists, the cooperation agreement announced on Tuesday is already beginning to come apart.

Military leaders summoned the four parties in the governing coalition to discuss disagreements, but apparently had little success in persuading the parties to submerge their differences. The Communists yesterday charged, without specifically naming the Socialists, that attempts were being made to use the election results to shift the balance of power by creating divisions among military leaders and within the labor movement.

The Communist statement was in response to Socialist Party leader Soares' press conference Wednesday in which he warned that if the two parties are to work together, the Communists must loosen their control of organized labor, the press, and local governments.

Soares specifically called for union and local elections and urged the government to begin an investigation of bias in the media. The Socialists hope to use the ballot to oust Communist Party members and sympathizers who took over leadership positions in both the unions and local councils after the April coup.

The Socialists have been particularly suspicious that the Communists will use their influence with radical military officers to change the provisions in the labor law that

May 9, 1975

25X1

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call for union elections. Although the text of the law has not yet been published, moderate officers have indicated to the US embassy that the Revolutionary Council retained the election provision. The fact that the text of the law has not yet been released could indicate, however, that the issue has not been finally resolved.

Meanwhile, the recent wave of strikes and growing social tensions is demonstrating that neither the Communists nor the Socialists have been able to impose their will on the labor rank and file. Both parties have come out against the strikes, but press reports estimate that 150,000 hotel, chemical, and municipal workers went on strike Wednesday, demanding higher wages and a voice in negotiating collective labor contracts. One walkout closed all privately owned hotels and restaurants for the third time this week. [REDACTED]

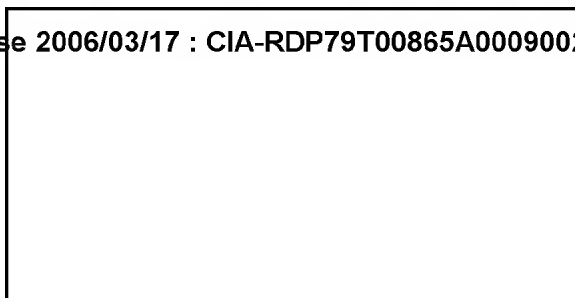
25X1

May 9, 1975

- 3 -

Approved For Release 2006/03/17 : CIA-RDP79T00865A000900230001-8

25X1



EC Moves To Strengthen the Workers' Voice in
Business Policy

The Commission, in staking out an advanced position on increased worker participation in business policy decisions, is taking a political risk. The recommendation is likely to delay approval of the EC's European-company statute, intended to encourage incorporation across member state boundaries.

The Commission last week approved a draft which is designed to allow companies operating in the EC to incorporate and operate under a single body of law rather than under the various laws of the individual member states, which is the only possibility at the present time.

Interest in a European company law code arose from the problems industry faces in dealing with the differing legal systems in nine member states. The lack of uniformity impedes corporate efficiency as well as cross-frontier mergers. It also would--once the community harmonizes tax regulations--enable governments to get a better handle on corporate revenues.

During the required review of the proposed statutes by the European Parliament, a combination of Christian Democrats and Socialists persuaded the Commission to strengthen the provisions for worker participation. The supervisory board of directors, which in Europe is often separate from the management board and is responsible for policy decisions, is to consist of three groups: shareholders, workers, and independents. The independents would be elected

May 9, 1975

by a two-thirds vote of the other two groups.

Worker participation in the choice of the decisive third group of the supervisory board is likely to arouse considerable industrial reluctance to use the new statute, if it is approved by the EC Council as it stands. Some industry federations have described the provision as a gamble, fearing that one side might acquire and retain permanent control or that a long-lasting stalemate could ensue.

The original Commission aim was to give workers only a third of the seats on the board. Even that would probably have run into opposition from some industrialists, particularly in France, although President Giscard has shown interest in moving French industry along in this direction. Elsewhere in the EC, worker participation in industrial policy decisions has become more acceptable in recent years. The West Germans have been the most favorable to the concept, while public and union attitudes have been shifting in this direction in Italy and the UK. Workers at the Chrysler plant in the UK, for example, are considering holding off on a strike to consider a company offer for increased worker participation in company decisions and profits.

Although the Commission has doubts about the political wisdom of pushing the tripartite concept now, it does feel that it is the wave of the future and that the statute will be used "when the time is ripe."

It remains to be seen whether the Commission will be similarly bold in drawing up the proposals for the politically more contentious effort of harmonizing national company law. This seems unlikely, since the latter, if approved will be obligatory rules; resort to the European company statute will be optional.

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